

**ROSEMOND NURSING CENTER, INC.**

**PICKENS, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1997  
AC# 3-RMD-J6**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 3, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Rosemond Nursing Center, Inc., for the contract periods beginning October 1, 1997 and for the eleven month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Rosemond Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Rosemond Nursing Center, Inc. dated as of November 1, 1995 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
March 3, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**ROSEMOND NURSING CENTER, INC.**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1997  
AC# 3-RMD-J6

	10/01/97- <u>09/30/98</u>
Interim reimbursement rate (1)	\$85.94
Adjusted reimbursement rate	<u>85.78</u>
Decrease in reimbursement rate	\$ <u><u>.16</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

# ROSEMOND NURSING CENTER, INC.

Computation of Adjusted Reimbursement Rate  
For the Contract Periods October 1, 1997 Through September 30, 1998  
AC# 3-RMD-J6

	<u>Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.05	\$47.70	
Dietary		10.04	10.55	
Laundry/Housekeeping/Maint.		<u>7.02</u>	<u>7.53</u>	
Subtotal	<u>\$4.60</u>	59.11	65.78	\$59.11
Administration & Med. Rec.	<u>\$ .13</u>	<u>8.93</u>	<u>9.06</u>	<u>8.93</u>
Subtotal		68.04	<u>\$74.84</u>	68.04
<u>Costs Not Subject to Standards:</u>				
Utilities		1.55		1.55
Special Services		.61		.61
Medical Supplies & Oxy.		3.18		3.18
Taxes and Insurance		.66		.66
Legal Fees		<u>.01</u>		<u>.01</u>
<b>TOTAL</b>		<u>\$74.05</u>		74.05
Inflation Factor (4.40%)				3.26
Cost of Capital				6.22
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.13
Cost Incentive				4.60
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.98)
Minimum Wage Add On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$85.78</u>

**ROSEMOND NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-RMD-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 612,994	\$ -	\$ -	\$ 612,994
Dietary	146,323	-	-	146,323
Laundry	27,679	-	-	27,679
Housekeeping	41,039	-	-	41,039
Maintenance	33,578	-	-	33,578
Administration & Medical Records	130,218	-	-	130,218
Utilities	22,647	-	-	22,647
Special Services	8,948	-	-	8,948
Medical Supplies & Oxygen	46,382	-	-	46,382
Taxes & Insurance	9,686	-	-	9,686
Legal Fees	211	-	-	211
Cost of Capital	92,964	115 (3)	881 (1)	90,651
			<u>1,547 (2)</u>	
Subtotal	1,172,669	115	2,428	1,170,356

**ROSEMOND NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-RMD-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	13,324	-	-	13,324
Non-Allowable	<u>97,645</u>	<u>1,547</u> (2)	<u>115</u> (3)	<u>99,077</u>
Total Operating Expenses	<u>\$1,283,638</u>	<u>\$1,662</u>	<u>\$2,543</u>	<u>\$1,282,757</u>
TOTAL BEDS	<u>44</u>	TOTAL PATIENT DAYS		<u>14,578</u>



**ROSEMOND NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-RMD-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$400,404	
	Accumulated Depreciation	1,791	
	Cost of Capital		\$ 881
	Other Equity		401,314
	To adjust fixed assets and related depreciation expense to allowable State Plan, Attachment 4.19D		
2	Nonallowable	1,547	
	Cost of Capital		1,547
	To disallow expense not related to patient care HIM-15-1, Section 2102.3		
3	Cost of Capital	115	
	Nonallowable		115
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>403,857</u>	\$ <u>403,857</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**ROSEMOND NURSING CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-RMD-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>44</u>
Deemed Asset Value	1,452,968
Improvements Since 1981	56,827
Accumulated Depreciation at 9/30/96	<u>(429,245)</u>
Deemed Depreciated Value	1,080,550
Market Rate of Return	<u>0.070</u>
Total Annual Return	75,639
Number of Days in Period	<u>335/366</u>
Adjusted Annual Return	69,232
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	69,232
Depreciation Expense	16,548
Amortization Expense	5,580
Capital Related Income Offsets	(709)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	90,651
Total Patient Days	<u>14,578</u>
Cost of Capital Per Diem	\$ <u><u>6.22</u></u>

**ROSEMOND NURSING CENTER, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1996  
 AC# 3-RMD-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.76
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.75</u>
Reimbursable Cost of Capital Per Diem	\$6.22
Cost of Capital Per Diem	<u>6.22</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>